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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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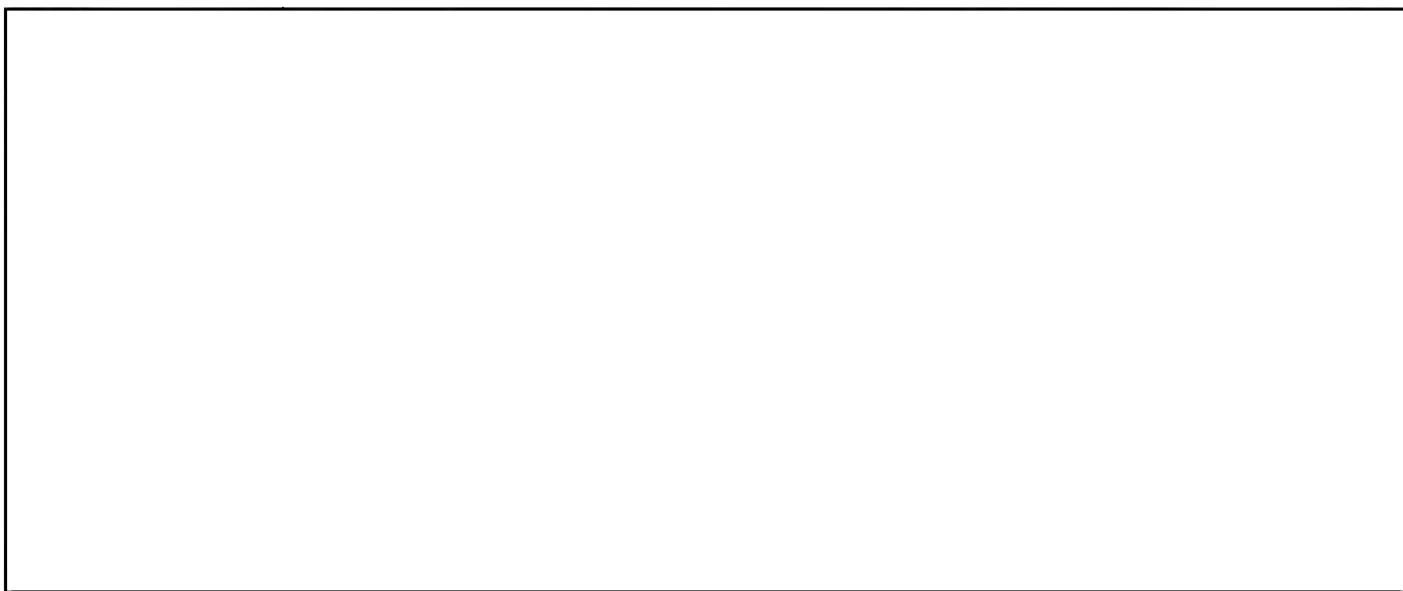
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FAR EAST



2. Chinese harass British business interests:

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[Redacted box]
British interests in Shanghai face a crisis following the arrest last week of a leading British firm's principal representative. His detention reportedly was for failure to pay employees of an affiliate whose business has been paralyzed by the anti-corruption campaign.

Officials of the British-American Tobacco Company are now expecting the arrest of their Shanghai manager for failure to meet extortionate demands. The company has already written off its 25 million dollar China investment and has declared that it will not remit additional funds regardless of reprisals which may be taken against its 20 executives remaining in China.

At a meeting in Hong Kong, officials of British firms agreed to recommend "to London" not to yield to extortionate Chinese demands regardless of consequences to executives caught in China.

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Comment: There is a general conviction among the British that their China investments must be abandoned. However, they are still anxious to maintain trade relations with the Communists, subject to export restrictions on the more strategic commodities. China is Hong Kong's principal customer and British-flag ships outnumber those of any other foreign registry in the China trade.

3. Deteriorating conditions in south Burma reported:

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The rapid deterioration of law and order in Mergui District, in southern Burma, is leading inevitably to insurgent control over the entire Tenasserim Division, [redacted]. The population is reported to be either apathetic or sympathetic to the local Karen and Communist rebels. (See map.)

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Comment: The tenuousness of the Burmese Government's hold on Tenasserim and the hostile attitude of the people are confirmed by several other reports. This situation is emphasized by the Karen capture for a few hours last December of the important port of Mergui, during which time they shot the Burman District Commissioner.

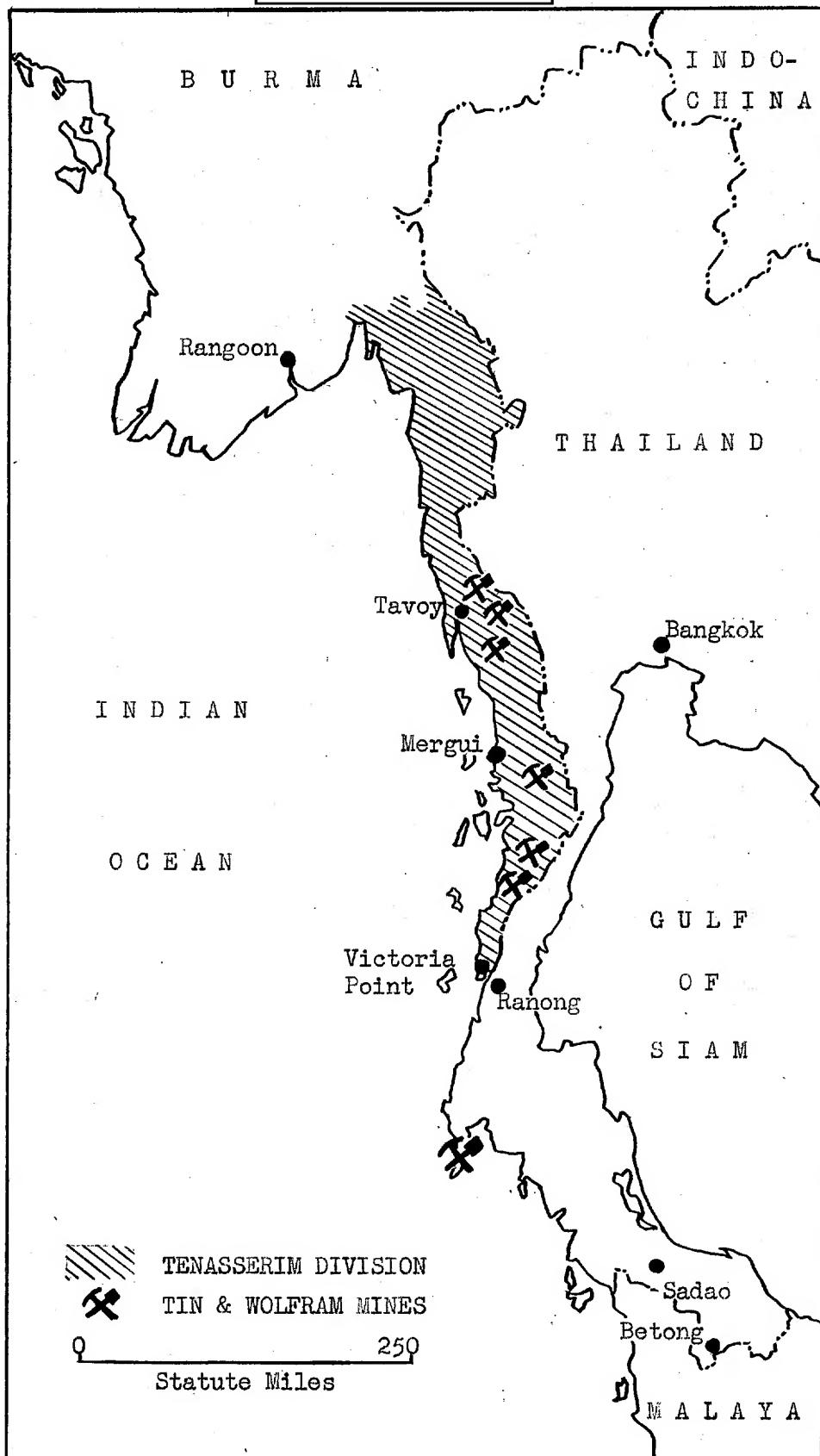
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[redacted] indicated increasing unrest in the Victoria Point-Ranong area, which is suspected of being a center for smuggling out tin, wolfram, and rubber -- possibly in return for arms. Moreover, these reports have been received simultaneously with information that Communists from Malaya have been establishing themselves in the nearby Sadao-Betong area of southern Thailand, although there is no indication of a connection between Communist activities in the two areas.

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NEAR EAST - AFRICA

4. Turkey refuses to attend Pakistani-sponsored Moslem conference:

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The Turkish Foreign Office has informed the Pakistani Charge in Ankara that the Turkish Government would not participate in a conference of Islamic states which is being sponsored by the Pakistani Government. The Turkish Foreign Minister reported that as a result of Turkey's nonacceptance, Afghanistan would also probably decline the invitation. He added that the Lebanese Government had characterized the Pakistani proposals as "Utopia."

Comment: Zafrullah, Pakistani Foreign Minister, discussed the idea of periodic consultations on questions of mutual interest during his recent tour of the Middle East.

Turkey's refusal to attend the Islamic conference underscores its determination not to engage in regional politics based on the Moslem religion. The Turkish attitude may seriously reduce the effectiveness of the conference.

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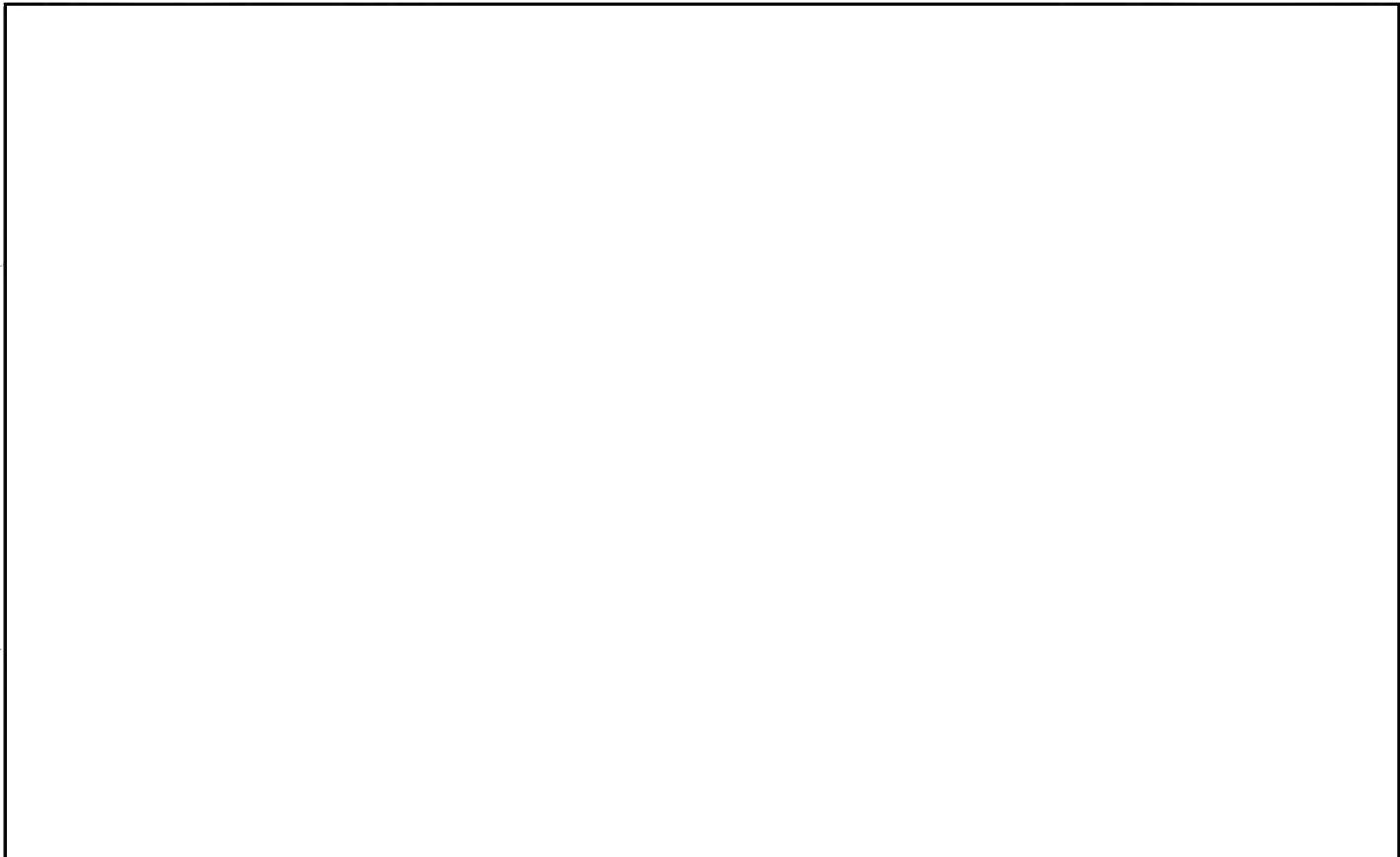
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WESTERN EUROPE

7. Pro-Italian extremists threaten disorders in Trieste:

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Police authorities in Trieste have warned that "the most serious threat to public order for the past three years" will occur on 20 March, the date set by pro-Italian elements for demonstrations marking the anniversary of the 1948 tripartite declaration advocating the return of the entire Free Territory to Italy.

There are indications that the neo-Fascist Italian Social Movement will try to whip up anti-Yugoslav feeling and provoke incidents serious enough "to focus the attention of the world on the Trieste problem."

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Comment: These planned demonstrations are not likely to get out of hand. The Italian Government hopes unofficially that they will convince world opinion that blame for failure to settle the Trieste issue rests on the Western powers.

The activities of the local Italian Social Movement reflect the growing aggressiveness of this party in Italy.

8. French tend to discount present Russian threat to western Europe:

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The Assistant Director of Political Affairs in the French Foreign Ministry speculates that the recent Russian note on German unity may reflect a Soviet decision to abandon any immediate design of military aggression in western Europe. He believes that the tempo of Western rearmament may have temporarily discouraged the Russians, particularly since they feel that in any event time is on their side.

Comment: While the Foreign Office has no illusions on ultimate Soviet aims, speculation of this sort appeals to a majority of Frenchmen in view of the country's critical financial situation. Consequently, there is real danger that responsible French officials may agree with the Belgian Premier, who recently stated that "nobody believes western Europe is now in danger of Soviet military aggression."